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State of Idaho

Legislative Services Office

## Management Report

A communication to the Joint Finance-Appropriations Committee

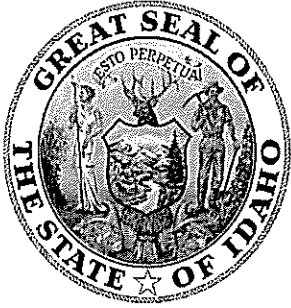
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# STATEMENT OF FEDERAL LAND PAYMENTS UNDER THE PAYMENTS IN LIEU OF TAXES (PILT) ACT

OCTOBER 1, 2009 – SEPTEMBER 30, 2010

Report IC86010  
Date Issued: January 26, 2011

*Serving Idaho's Citizen Legislature*



Idaho Legislative Services Office  
Legislative Audits Division

Don H. Berg, Manager

## STATEMENT OF FEDERAL LAND PAYMENTS (PILT)

### SUMMARY

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#### **PURPOSE OF MANAGEMENT REVIEW**

We performed certain limited procedures to compile the data in the accompanying Statement of Federal Land Payments. The intent of these procedures was not to express an opinion, but to provide information on the distribution of federal land payments by the State of Idaho to local units of government as requested by the U.S. Department of the Interior.

#### **CONCLUSION**

We did not identify any errors or recommend any adjustments to the amounts distributed by the State of Idaho to local units of government.

#### **FINDINGS AND RECOMMENDATIONS**

There are no findings and recommendations in this report or the prior report.

#### **AGENCY RESPONSE**

There were no comments from State officials.

This report is intended solely for the information and use of the State of Idaho and the U.S. Department of the Interior, and is not intended to be used by anyone other than these specified parties.

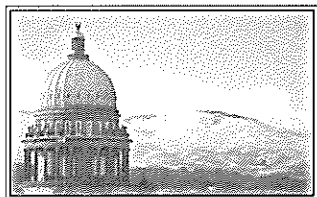
#### **ASSIGNED STAFF**

Chris Farnsworth, CPA, Managing Auditor  
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# Legislative Services Office Idaho State Legislature

*Serving Idaho's Citizen Legislature*

Jeff Youtz  
Director

January 26, 2011

Honorable C.L. "Butch" Otter  
Governor of the State of Idaho  
Statehouse Mail

Bill Howell, PILT Specialist  
Department of the Interior  
Office of Budget  
1849 C Street, N.W. MS-4116  
Washington, DC 20240

Dear Governor Otter and Mr. Howell:

In compliance with Chapter 69, Title 31 U.S. Code, commonly referred to as the Payments in Lieu of Taxes (PILT) Act, we are furnishing the requested information regarding the distribution of federal land payments by the State of Idaho to local units of government.

The intent of this report is not to express an opinion, but to provide information on the amounts distributed to local units of government as requested by the U.S. Department of the Interior.

We did not identify any errors or recommend any adjustments to the amounts that were distributed by the State of Idaho to local units of government for the period of October 1, 2009 through September 30, 2010.

Should you have any questions regarding the provided information, please contact me.

Sincerely,

Don H. Berg, CGFM, Manager  
Legislative Audits Division

Mike Nugent, Manager  
Research & Legislation

Cathy Holland-Smith, Manager  
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Don H. Berg, Manager  
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## EXHIBIT I

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## STATE COMMENTS

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There were no comments from State officials.

STATE OF IDAHO  
 STATEMENT OF FEDERAL LAND PAYMENTS  
 FEDERAL AGENCY MAKING PAYMENTS AND TYPE OF PAYMENTS  
 OCTOBER 1, 2009 THROUGH SEPTEMBER 30, 2010

County	Number	Note 1		USFS Secure Schools Title III	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 2	FW Refuge Revenue Sharing	Total	Adjust- ments	Recommended For Acceptance
		USF/FS FS/MMS Timber & Sec. Schlis Title I (Roads part only)	USFS Timber & Sec. Schlis Title I (Roads part only)												
Ada	131001001					\$183							\$183		\$183
Adams	131002002	531,362		33,210									564,572		564,572
Bannock	131003003	73,002				12							73,014		73,014
Bear Lake	131004004	271,854				422							272,276		272,276
Benevol	131005005	47,419		14,807									62,226		62,226
Bingham	131006006					457							457		457
Blaine	131007007	75,671		6,756		151							82,578		82,578
Boise	131008008	986,278		82,881		4							1,069,163		1,069,163
Bonner	131009009	622,450											622,450		622,450
Bonneville	131010010	301,994		15,227		304							317,525		317,525
Boundary	131011011	1,392,629											1,392,629		1,392,629
Butte	131012012	244,699											244,699		244,699
Camas	131013013	260,453		30,642									291,095		291,095
Canyon	131014014					157							157		157
Caribou	131015015	304,245				408,539							712,784		712,784
Cassia	131016016	23,938				147							24,085		24,085
Clark	131017017	295,396		9,929		125							305,450		305,450
Clearwater	131018018	648,894		16,450		19							665,363		665,363
Custer	131019019	773,932											773,932		773,932
Elmore	131020020					575							575		575
Franklin	131021021	132,707											132,707		132,707
Freemont	131022022	724,905				44							724,949		724,949
Gem	131023023	88,600											88,600		88,600
Gooding	131024024					51							51		51
Idaho	131025025	2,355,093		753,369		3							3,108,465		3,108,465
Jefferson	131026026					(138)							-138		-138
Jerome	131027027					147							147		147
Kootenai	131028028			26,014									26,014		26,014
Latah	131029029												0		0
Lemhi	131030030	1,983,850		141,696									2,125,546		2,125,546
Lewis	131031031					0							0		0
Lincoln	131032032					0							0		0
Madison	131033033	113,173				202							113,375		113,375
Minidoka	131034034												0		0
Nez Perce	131035035	2,607											2,607		2,607
Oneida	131036036	126,769				141							126,910		126,910
Owyhee	131037037					42							42		42
Payette	131038038					21							21		21
Power	131039039					2							2		2
Shoshone	131040040	1,970,017		85,813		3							2,055,833		2,055,833
Teton	131041041	74,714											74,714		74,714
Twin Falls	131042042					77							77		77
Valley	131043043	1,371,730		92,217		7							1,463,954		1,463,954
Washington	131044044	161,094		3,061									164,155		164,155
Total		\$15,959,475		1,312,072	\$0	\$411,697	\$0	\$0	\$0	\$0	\$0	\$0	\$17,683,244	\$0	\$17,683,244

# NOTES TO EXHIBIT I

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## NOTE 1 – NATIONAL FORESTS

Receipts from national forests in FFY 2010 totaled \$39,794,528 for Title I, Title II, and Title III projects. Receipts for Title I (\$33,587,595) are split 70% (\$23,511,316) to highway districts and 30% (\$10,076,278) to school districts. The receipts to highway districts are further split, in accordance with Idaho Code, Section 57-1303, between county highway districts (\$15,959,475) and independent districts (\$7,551,841). Receipts for Title III were \$1,312,072. Funds for Title II projects (\$4,894,862) are not received by the State Treasurer.

## NOTE 2 – USFS BANKHEAD JONES AND FISH AND WILDLIFE REFUGE REVENUE SHARING

These federal payments are made directly to Idaho's county governments. During FFY 2010, \$0 was paid under USFS Bankhead Jones, and \$46 was paid under the Fish and Wildlife Refuge Revenue Sharing. To the best of our knowledge, there is no State law specifying how USFS Bankhead Jones and Fish and Wildlife payments are to be spent by counties.

## NOTE 3 – MINERAL LEASING

The federal payment schedule provided by the U.S. Department of Interior reported \$3,958,015 in mineral lease funds. The Idaho State Treasurer's Office reported receipts of \$3,958,015 in mineral leasing, plus an additional \$15 in National Forest and \$66 in late interest which totals \$3,958,096.

Pursuant to Idaho Code, Section 57-1306, 90% of these receipts are distributed to the Public School Income Fund. The other 10% is distributed to the general fund of the counties where the revenue was generated. The following reconciliation shows the distribution for FFY 2010.

Payment per Federal Schedule and State Treasurer Documents	\$3,958,015
Add: National Forest	15
Interest Earned	78
Total Received by Treasurer by Treasurer in FFY 2010	<u>\$3,958,108</u>
 Add: FFY 2009 Receipts Distributed in FFY 2010	 \$15,881
Less: Current Year Receipts to be Distributed in FFY 2011	<u>0</u>
Total Distributed in FFY 2010	<u>\$3,973,989</u>
 90% for Public Schools	 \$3,562,214
Add: Interest no Subject to 90% Split	78
Less: Interest Received in FFY 2010, Distributed in FFY 2011	<u>0</u>
Total Public Schools	<u>\$3,562,292</u>
 10% for Counties	 \$395,816
Add: FFY 2009 Payments Made in FFY 2010	15,881
Less: FFY 2010 Payment Made in FFY 2011	<u>0</u>
Total Counties	<u>\$411,697</u>
 Total Distributions for FFY 2010	 <u>\$3,973,989</u>



**NOTE 4 – TAYLOR GRAZING, SECTIONS 3 AND 15**

This money is deposited by the State Treasurer's Office and then transmitted to the counties for deposit to the grazing districts, pursuant to Idaho Code, Section 57-1201. According to the U.S. Comptroller General's opinion, the grazing districts are single-purpose districts; therefore, the funds are not reported in Exhibit I of this report. The total amount transmitted to the county grazing districts in FFY 2010 was \$182,112 from the November 27, 2009 federal distribution.

**NOTE 5 – BUREAU OF LAND MANAGEMENT BANKHEAD JONES**

The State does not receive payments under this law.

**NOTE 6 – BUREAU OF LAND MANAGEMENT SALE OF MATERIALS**

This money is deposited to the State Public School Endowment Fund, pursuant to Idaho Code, Section 33-902. The amount received in FFY 2010 was \$109,741.

**NOTE 7 – FEDERAL ENERGY REGULATORY COMMISSION (FERC) POWER SALES**

This money is deposited by the State Treasurer's Office in the State's General Fund. No specific State or federal statutes govern the disposition of these funds. FERC power sale funds received for FFY 2010 totaled \$0.

This amount agrees to that shown on enclosure 2 of the Payment in Lieu of Taxes package, entitled "Prior Year Payments Received by State and Local Governments During the Period October 1, 2009 through September 30, 2010."

## EXHIBIT II

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Following are the Idaho Code statutes related to the receipt and disbursement of federal land payments in the State of Idaho.

### **33-902 – PUBLIC SCHOOL PERMANENT ENDOWMENT FUND**

(1) There is established in the state treasury the public school permanent endowment fund. This fund is perpetually appropriated for the beneficiaries of the endowment. The fund shall be managed and invested by the endowment fund investment board according to law and the policies established by the state board of land commissioners. The fund principal shall forever remain intact. The fund shall be a permanent fund and shall consist of the following:

- (a) Proceeds from the sale of lands granted to the state by the federal government, known as public school endowment lands, and lands granted in lieu of public school endowment school lands;
- (b) Lands, money or other property acquired by gift or grant from any person or corporation or under any law or grant of the federal government for general educational purposes;
- (c) All other grants of lands or money made to the state from the federal government for general educational purposes where no other purpose is indicated in the grant;
- (d) All estates or distributive shares of estates that may escheat to the state;
- (e) All unclaimed shares and dividends of any corporation incorporated under the laws of the state;
- (f) Proceeds of royalties arising from the extraction of minerals on public school land owned by the state;
- (g) Other proceeds and avails as are required by law of the federal government or of the state of Idaho to be made a part of the fund; and
- (h) Moneys allocated from the public school earnings reserve fund.

(2) Public school endowment land sale proceeds may be deposited into the land bank fund established in section 58-133, Idaho Code, to be used to acquire other lands within the state for the benefit of the endowment beneficiaries. If proceeds from the sale of public school endowment lands are not used to acquire other lands in accordance with section 58-133, Idaho Code, the proceeds from the sale shall be deposited into the public school permanent endowment fund along with any earnings on the proceeds.

(3) Earnings from the investment of the public school permanent endowment fund shall be distributed according to the provisions of section 57-723A, Idaho Code.

### **33-902A – PUBLIC SCHOOL EARNINGS RESERVE FUND**

(1) There is established in the state treasury the public school earnings reserve fund. The fund shall be managed and invested by the endowment fund investment board according to law and the policies established by the state board of land commissioners. The public school earnings reserve fund shall consist of the following:

- (a) All earnings of the public school permanent endowment fund;
- (b) Proceeds of the sale of timber on public school endowment lands;
- (c) Proceeds of leases of public school endowment lands;
- (d) Proceeds of interest charged upon deferred payments on public school endowment lands or timber on those lands;

- (e) Earnings on contracts for the sale of timber and the sale of lands related to the public school endowment; and
  - (f) All other proceeds received from the use of public school endowment lands and not otherwise designated for deposit in the public school permanent endowment fund.
- (2) Moneys shall be distributed out of the public school earnings reserve fund only to support the beneficiaries of the public school endowment, including distributions by the state board of land commissioners to the public school permanent endowment fund and the public school income fund; provided, that funds shall not be appropriated by the legislature from the public school earnings reserve fund except to pay for administrative costs incurred managing the assets of the public school endowment including, but not limited to, real property and monetary assets.

### **33-903 – PUBLIC SCHOOL INCOME FUND**

- (1) The public school income fund is that fund in the treasury of the state of Idaho to which are credited the following:
- (a) Moneys distributed from the public school earnings reserve fund and other sources the legislature deems appropriate;
  - (b) Proceeds of all state taxes levied for public school purposes;
  - (c) Grants of moneys from the federal government for public school purposes when other disposition is not specified by law;
  - (d) Ninety percent (90%) of any moneys received by any department of state government from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands;
  - (e) Legislative appropriations in support of the public schools, and other moneys required by the law of the federal government or of the state of Idaho to be made a part of and credited to the fund.
- (2) Earnings on the investment of idle moneys in the public school income fund shall be paid to the public school income fund.
- (3) Moneys in the public school income fund shall be used for the benefit of beneficiaries of the public school endowment and distributed to current beneficiaries of the public school endowment pursuant to legislative appropriation.

### **57-1201 – DISTRIBUTION OF FUNDS TO COUNTIES BY THE STATE TREASURER**

All funds received by the state of Idaho, as its distributive share of the amounts collected by the United States Government under the provisions of the Congress of June 28, 1934 (48 Stat. 1269) known as the Taylor Grazing Act, and any act amendatory thereof, shall be deposited with the state treasurer. Upon receipt of said money, the state treasurer shall distribute the same to the several counties of the state in which grazing districts, or lands producing such moneys are located, by warrant drawn on the state treasurer. The state treasurer, shall, upon the date this act becomes effective, and annually thereafter, ascertain from the proper United States officers having the records of receipt from grazing permits, the amount of receipts from such sources in the state of Idaho for each year for which money is received by the state of Idaho, keep a separate account of the sums received from lands producing such moneys, and apportion the distributive shares of the same among the several counties in which said grazing district is located; and if any such grazing district lies in more than one county of the state, each such county shall receive such proportionate amount of said sum as the area of said grazing district included within the boundary of such county shall bear to the total area of such grazing district.

### **57-1202 – DEPOSIT OF FUNDS WITH COUNTY TREASURER – GRAZING DISTRICT TREASURER – WARRANTS AGAINST FUND**

All money paid to the county or counties in which such grazing district lies, shall be deposited with the county treasurer. The grazing district board of advisors may appoint a grazing district treasurer and the board shall give notice, in writing, to the county treasurer of the appointment.

The grazing district board of advisors shall require a bond of the grazing district treasurer and may pay for the same from the fund of the grazing district. The county treasurer shall then pay over to the grazing district treasurer all funds accruing to the grazing district, from time to time, as the county treasurer receives such funds. After payments of the funds to the grazing district treasurer by the county treasurer, the grazing district and the grazing district treasurer shall be liable for such funds and all liability on the part of the state or county or county treasurer shall cease at that time. The grazing district treasurer shall deposit all such funds in a public depository, and shall expend such funds as provided for by law, and shall pay such funds out by checks signed by both the chairman of the board of the district advisors of the district and the district treasurer. In the event the grazing district board of advisors does not appoint a grazing district treasurer the county treasurer of any county in which a grazing district may be located, either in whole, or in part, shall be the ex officio district treasurer of any grazing district located in whole or in part within such county, and shall be liable upon his official bond for all money deposited in fund designated for that purpose. The county treasurer, as ex officio grazing district treasurer shall pay out such money in said fund upon the warrant of the grazing district located in whole, or in part, in his county, signed by the chairman of the board of district advisors of such grazing district and countersigned by the vice chairman. All moneys paid to any county having lands producing such moneys and not within a grazing district, shall be deposited with the county treasurer in a special fund to be known as "Range Improvement Fund" and expended by the board of county commissioners upon warrants for range improvements and maintenance, predatory animal control, rodent control, poisonous or noxious weed extermination or for any similar purpose in cooperation with the federal government or local livestock men's organizations.

#### **57-1301 – APPORTIONMENT OF FOREST RESERVE FUNDS**

It shall be the duty of the state treasurer to receive any and all moneys paid or offered to be paid to him as such treasurer by the treasurer of the United States on account of the moneys received from such forest reserves, under and by virtue of the Act of Congress of June 30, 1906, and to keep a separate account of the sums received from each reserve, and to apportion the distributive shares of the same among the several counties in which such forest reserves are situated in proportion to the area of such reserve in such county, and to pay the same over to the several county treasurers of such counties as soon after the same is received as such apportionment can be made.

#### **57-1303 – COUNTY APPORTIONMENT OF FOREST RESERVE FUNDS**

The auditor of each county receiving a portion of this fund shall within ten (10) days of receipt of this money allot and distribute seventy percent (70%) of this money to the county general road fund and to the treasurer of the highway districts and good road districts in the county in proportion to the mileage of each within the county, to be expended for the construction and repair of roads and bridges, and thirty percent (30%) to the various school districts and joint county school districts within the county in proportion to the number of pupils in average daily attendance in each district in the year immediately prior to this distribution. The distribution of such moneys to the respective school districts entitled thereto shall be in addition to and without regard to any assistance to such school districts from any and all other sources in maintaining the minimum educational program and minimum transportation program.

#### **57-1306(1) – IMPACT FUNDS**

(a) Upon receipt of any moneys from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands of the federal government, the state treasurer shall remit ten percent (10%) of such receipts to the general fund of the several counties from which the resources were extracted. The state treasurer shall compute a particular county's share of such receipts by computing the proportion of the moneys generated by sales, royalties, bonuses or rentals of federal lands situated within that particular county to the total of moneys received from

the federal government from sales, royalties, bonuses or rentals of all oil, gas or mineral lands of the federal government within the state of Idaho for the same period. The moneys remitted to the various counties according to the provisions of this section shall be used for the construction and maintenance of public roads or for the support of public schools.

(b) The remaining ninety percent (90%) of any moneys received from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands of the federal government shall be deposited into the public school income fund, pursuant to the provisions of section 33-903, Idaho Code.

#### **57-1307 – DISTRIBUTION OF REVENUES**

All moneys received by the state treasurer under the provisions of chapter 12 and chapter 13, title 57, Idaho Code, for transmittal to other units or departments of government shall be expeditiously paid to the units or departments as soon as distribution information is received from the appropriate agency of the federal government. To accomplish expeditious payment the division of financial management and the state controller shall immediately carry out their duties.

If a payment under the provisions of chapter 12 or chapter 13, title 57, Idaho Code, has been made in error to other units or departments due to erroneous information received from the appropriate agency of the federal government or due to any other reason, the state treasurer shall either make the necessary adjustments in the next distribution to said units or department, or shall expeditiously demand refunds from those units or departments which were overpaid and such units or departments shall pay such refunds expeditiously to the state treasurer.